

INTERNAL ORGANIZATION OF A F&B COMPANY IN THE BOP CONTEXT

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ABSTRACT

Base of Pyramid (BoP) is nowadays one of global management's top issues. Although several studies were focused on developing economies and their markets behaviour, very few have worked on the internal organization drama.

This case study looks at the internal life of a f&b company in Mozambique. A general view of the company is drawn keeping eye on main system problems, organizational culture and leadership styles. In conclusion, an improvement plan is drawn taking into account the company's vision, mission, values and BoP context (especially poor infrastructure and social support). Finally some remarks on Base to Top of Pyramid technology exchange are made.

Keywords: BoP, developing economies, strategy, value chain.

Major Field of Research: Management science & Strategic, operational, production management

INTRODUCTION

68% of world's adult population lives with less than 2.8USD/day (Shorrocks *et al.*, 2010). If one considers people grouped by their wealth, it would form a pyramid and the poorest would be at its base, known as the Base of the Pyramid - BoP. Most of them live in Southern Asia or Africa. Mozambique is among the poorest of the poor, ranking at the 165th position, of 169, at UNDP's Human Development Index (Klugman, 2010).

Nevertheless there are profitable companies operating at the BoP, selling to the poor products and services never before available, with significant social benefits. Of course, for this market to work, the price must be affordable to poor customers, the product/service must be adapted to their needs and, last but not least, it must be available when, where and with the means for the poor to buy it (Prahalad, 2006). To fill these needs and survive, companies operating at the BoP must be creative and clever not only to develop the correct logistics and marketing strategies, but also to overcome the difficulties in public infrastructures which constrain their working capability. This is why it is so important for companies to establish good relations with local entrepreneurs and non-profitable organizations. These partners can help to overtake physical, social and cultural gaps and build a bottom-up effective strategy. But it is important never to forget "there's no such thing as a free lunch"!

In this paper we will look inside a food and beverage (f&b) company, named "Fábrica de Licores da Beira"- FLB, operating in Mozambique, which deals with these issues on a daily basis. By analysing its value chain, internal culture and leadership styles, it will be possible to understand its structure. Also the use of Stream Analysis² diagnosis will allow to identify of FLB's core problems in order to set a basic improvement plan achieving the goal of bringing up a more efficient organization from economic and social perspectives.

FLB produces and sells soft drinks, (pineapple) wine and dry drinks to resellers in most populated provinces of Mozambique, except for Maputo. The company intends to make its production levels grow, reach all country provinces, export and, in time, become a reference in Africa's f&b industry. Its manager-leadership is now

¹ United Nations Development Programme

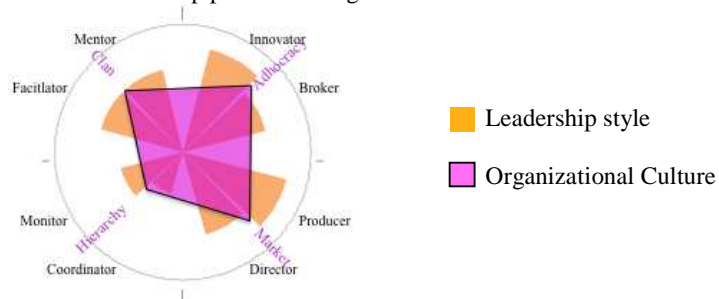
² Approach to organizational change developed by Emeritus Professor Jerry Porras, at Stanford Graduate school of Business

changing from the actual owner (senior manager) to his son (junior manager) but, almost for sure, core values like focus on the basics, client care, sincerity and thriftiness will still remain on the “company's DNA”.

LITERATURE REVIEW

Is the "colour of money" the main difference between higher levels of Social-Economical Pyramid and the BoP? Although for BoP people an expense is often an investment whose return must be maximized (Bhan, 2009), hierarchy of needs seem to play a major role compared to what happens in, so called, developed economies. In less developed, hierarchical and collectivist societies, the relative scarcity of resources, a hard struggle for social survival, and acceptance of inequalities all impose strong in-group solidarity, generalized competitiveness and an emphasis on personal effort and reward (Basabe & Ros, 2005). As a matter of fact upper tiers of Maslow's pyramid may actually become paramount when one has little else and then a strong sense of self-worth motivates subsistence and survival in the face of long odds and this also sustains one's role in the social network (London & Hart, 2010). This sense of role in social network has an important effect on company's culture and should be catalyzed by managers. Managers/leaders need to have a deep understanding of the complexities and subtleties of sustainable development in the context of BoP (Prahalad & Hart, 2002). In collectivist societies, managers-leaders should place much effort in relationship rather than task (Finuras, 2007). So leadership characteristics such as creativity, imagination, tolerance for ambiguity, stamina, passion, empathy and courage in BoP organizations may be as essential as analytical skills, intelligence and knowledge (Prahalad & Hart, 2002). Putting these skills into Quinn's Competing Value Framework (Quinn, 1988) and associating them with Organizational Culture Theory (Cameron & Quinn, 2006) should result in something like what is shown in Figure 1 for the BoP.

Figure 1: Conceptual BoP's leadership profile and organization culture.



These major leadership styles enhance organization external and differentiation focus (Cameron & Quinn, 2006). The natural consequence is the need for well-trained collaborators, carrying much autonomy and individuality (Cameron & Quinn, 2006), although this might seem to go in the opposite direction with social background. Since this is often a low literacy environment, to correctly motivate his subordinates, managers-leaders should be careful transmitting and decoding verbal messages, which can be done by adding subordinates non-verbal information and context (Finuras, 2007). This non-verbal aspect is found being attached to short messages and personal testimonials as Richard Fletcher describes for Marketing at the BoP (Fletcher, 2005). Since low-literacy is a common aspect to both customers and collaborators, bringing about these communication aspects might be a good tactic to address effective orientation to subordinates.

Besides the communication aspect, R. Akindele described in his study, in Lagos State, Nigeria, involving five hundred people in f&b industry, observed motivational factors. He observed that male workers said to be more sensible to financial incentives whereas female workers rated job securing higher (Akindele, 2002). His study's environment found much similarity in present case study. This mix of financial and social incentives brings up a final and rather important issue: metrics. As it happens with BoP consumers, especially in a hybrid model partnership (London & Hart, 2010), there is a lack of systematic research to find how to balance financial and social metrics to define a successful company at the BoP, from workers perspective. Nevertheless it is important to transpose the idea that if each client should have a solution for his case (Prahalad, 2006) so should each worker have it also. In many cases, at the BoP, a strong driving motivation is to create a better life for one's children- for example through education – or acquiring skills for themselves to improve their life circumstances (London & Hart, 2010), which money cannot buy.

METHODOLOGY

Like most organizational changes, this work (still) is an iterative process. From vision, mission and values identification to scientific research and modelling, much information has been exchanged. Nevertheless the process was divided into three phases: preparation, work in the field and proposal for organizational change.

During preparation, mainly, problem contextualization was made. Much of thirty-two years old FLB's history was described by actual managers, which helped vision and mission statement, so as for characterization of actual production and market contexts. FLB's values were roughly outlined. Related scientific and socio-cultural information were collected.

At FLB's factory, collaborator's opinions and daily life observation completed company's values information. Although formal organizational structure exists, it often changes to meet production demand. Almost every worker, of a total of fifty-two, was contacted for interview. Each worker was chosen randomly to diagnose FLB's Culture, using Organizational Culture Assessment Instrument (OCAI), in 100 points method scheme (Cameron & Quinn, 2006) or measure leadership profiles with Quinn's Competing Value Framework questionnaire, with 1 to 7 scoring. Low-literacy and pictorial thinking difficulty (London & Hart, 2010) came across questionnaire answering. The use of daily life examples and comparisons made it possible to be answered. Managers' answers were not considered in OCAI.

Also within interviews or during break-times many questions were made regarding collaborators' perspective on organizational, social, technological and physical space problems at the factory. Testimonials were ratified with observations during working time, participation in some work activities and analysis of company records (Porras, 1987). These last items, along with customer's informal conversation, made FLB's value chain representation possible (Porter, 1985). Collected data was checked and more scientific information was addressed. Finally identified problems were typified for Stream Analysis diagnosis use and its results lead to first conclusions.

In Stream Analysis diagnosis method, one establishes relations of cause-effect between identified problems, as well as their categorization. Suitable software use enables identifying core problems among the mesh of relations. Stream Analysis method also includes planning interventions and tracking changes (Porras, 1987). These two phases are still ongoing. Nevertheless the interventions were identified and are presented ahead in this document.

RESULTS

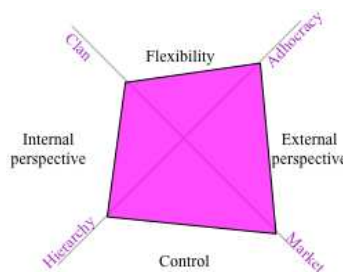
“As is” situation

This section reports FLB situation before application of the improvement plan. We will start looking at the company's organizational culture and leadership styles, then we will analyse its value chain and we will conclude with Stream Analysis. Results analysis will be presented in the following section.

Organization culture

OCAI results suggest that FLB's organization culture is mostly Market oriented. The other organizational culture components are balanced. Clan component is shorter than expected and Hierarchical component is proportionally higher than in Figure 1.

Figure 2: FLB organizational culture profile.
Scores: Clan-19,70%; Adhocracy- 22,55%; Hierarchical-22,05% and Market-35,7%.



Leadership profiles

FLB is experiencing a generational change in leadership. Both senior and junior managers seem to have a more prevalent leadership in Producer and Innovator sectors, as collaborators recognize. In other sectors the resemblance is not so evident. There is also much discrepancy between self and collaborators' evaluation.

Figure 3: Senior and junior leadership profiles, respectively.



Value Chain

Below, Porter's value chain synthesizes FLB's internal activities (Porter, 1985). Besides letting one know better the organization, this will enable some established weaknesses to be identified, as well as competitive advantages.

Figure 4: FLB's Porter value chain

Firm Infrastructure: Is a member of city's Commercial Association -a government partner, works with local Technical Schools contracting pupils and sending elder collaborators for training. Company has some farms for pineapple culture to be explored in near future. Good relations with most stakeholders.					M A R G I N
Human resources management: Low literacy among elder workers. Managers have high-level education, there is just one bachelor (accounting) and the rest are mid-level technicians. Low level of expertise. Few insubordination cases. Salary above the average earning for similar activities. Coffee-break and lunch on the house. Good working environment. No career progress planning. Misunderstandings between incentives and salary led to abandoning incentives policy. Absence level is generally lower for women. Two different generational leadership styles.					
Technology development: Recipes developed in doors. Little R&D ³ activity. CRM ⁴ system is starting to be implemented. PET bottles implemented for all sorts of drinks. Long-term wine production experience.					
Procurement: Two to three national suppliers for each consumable. International suppliers, one (Asians) for each machinery set and two for bottle tags. National suppliers often fail to deliver on time. Asian suppliers fail giving technical support to machinery. Only building's electric maintenance is outsourced.					
Inbound Logistics: Time between raw-materials' order and delivery is random. Every material entry is still recorded manually.	Operations: Production chain has improved the economy of scope dramatically. Space constraints limits production chain yield. Stops in production due to lack of pre-adjustments in equipment. Often electric grid faults. Tiny warehouse limits daily production.	Outbound Logistics: Three cars take products to customers placed to more than 1000 km. Unless supplier's failure occurs, few delivery delays have happened.	Marketing and Services: Billboards and radio spots publicity strategy have been abandoned. Customers spread FLB's "word". Low-cost & large quantity at reasonable quality strategy.	Services: There are no complaints/suggestions records. Satisfaction is evaluated on a customer's time lasting basis. Credit is available for long-time customers.	

³ Research and Development

⁴ Customer Relationship Management

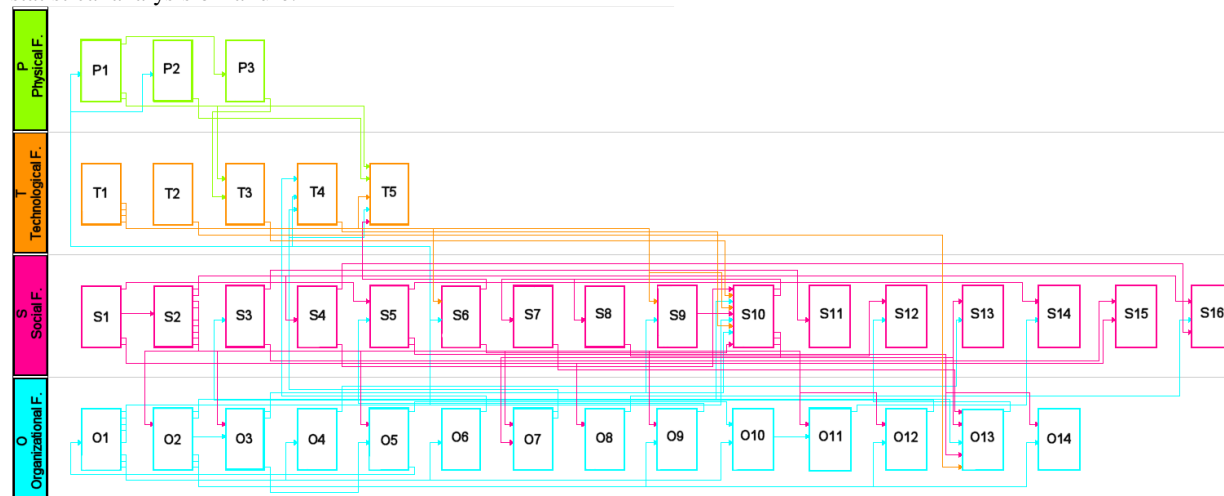
Stream Analysis diagnosis

Weaknesses found in the above value chain are only part of a major group of factors of this complex system. There are other kinds of factors that cannot be represented schematically, involving human relations, capabilities and external influence amongst others. However it is possible to represent their interconnections of what is causing what. The survey *in situ* reached almost eighty situations. After grouping some situations and clearing others, which were not real problems, the number dropped to thirty-eight. Figure 5 describes graphically FLB's diagnosis.

For practical reasons, only problems not already mentioned are described in the legend.

Figure 5: FLB Stream-Analysis diagnosis.

O1-Management is reactive (not proactive). O3- Intermediate leadership is ineffective. O5-Too many requests for managers to handle. O9-Payday misunderstandings. O10- Management spends little time with collaborators. O11- Collaborators complain about lack of feedback. O13 Illicit wine selling cases. O14-Collaborators complain about different reward treatment. P3- Heat in workplace. S1-Collaborators' low qualification. S2-gap between manager's intention and collaborator's understanding. S6-Collaborators complain about lack of training, so self-learning is the rule. S10-Faults are not punished. S12- Management has little trust on subordinates. S14- Some fear for factory closing. S15-Some collaborators would like to have time to continue scholar studies. S16-Managers do not sense proactivity in collaborators' activity. T1- Equipment low technical assistance and difficulty obtaining spare parts. T2- Some non reliable equipment used in production chain. T4-No statistical analysis of failure.



The above diagram suggests that there are, at the moment, three core problems (which cause all other problems): S1, T1 and T2.

DISCUSSION OF RESULTS AND IMPLEMENTATION PLAN

As mentioned, FLB often changes its structure to meet production demands. For this reason, all data was analysed seeing the company as a whole. This may also explain, in part, why a Market component has obtained clearly the highest score in the Organizational Culture Assessment Instrument. Fast adaption to a new scenario is also a symptom of Adhocracy, for this we can understand also its high score. Hierarchical component is higher than Clan component. Hierarchical "high" score derives from S12 and S16 type of problems. In other words if there is a lack of confidence on subordinates, managers must give them detailed orders at all time -autocratic leadership -, so there is no room for proactivity. This can also partially explain measured Clan component, but, in this case, the main reason may be related to lack of communication, observed for instances in O11 and S2, so non-verbal communication improvement might play an important role in this process (Finuras, 2007). Comparing with Figure 1, FLB Hierarchical component needs to be reduced, without, of course, risking production. This calls for better qualification of collaborators in their work but also in ethics, i.e. responsibility. Hopefully worker-care behaviour from managers can lead to collaborator's self-esteem growth (Pralhad, 2006), more dedication and proactivity, even though this proactivity needs to be educated.

In general both managers have underestimated their own leadership potential regarding collaborators' perception, which means that they are ambitious and want to push the organization to higher levels. However both have also overestimated one of their own human-relations leadership components, Facilitator in case of senior manager and Mentor in case of junior; both need to rethink their human approach. As already mentioned both have also strong leadership components in the external perspective, although they both have also a high Coordinator component, due to above-mentioned reasons in Hierarchical component of Organizational Culture.

Comparing scores between both managers, we find that collaborators classify senior manager's leadership as more "human" and junior with a more process oriented leadership. This observation, based in highest scores for each manager, synthesises perspective's difference of the path company should follow. But taking into account that the difference is not so big, perspectives hopefully will not diverge that much. Nevertheless even small divergences should be resolved otherwise single strategy may find some difficulties to be implemented.

Single strategy for a more efficient organization will surely focus on value chain. Several things need to improve! Input logistics should estimate in advance the needs since time for delivery is unpredictable and then there is some advantage negotiating lower prices for product and transportation. The bachelor collaborator could deal with this. Most keen collaborators could start doing maintenance planning, execution and statistical analysis of failure, but they need suitable training. In Output Logistics the only way to stop illicit wine selling is to outsource long distance distribution, thus separating company's wine selling goal and delivery. Marketing has to take a way through, but the warehouse limits production -P1 problem in Stream Analysis diagnosis - and managers still do not have time to solve this warehouse problem (O5). Since CRM is taking its first steps, it would be useful to have customer's complaints and suggestions recorded, even though many of them are illiterate; this would improve system weaknesses' detection. In company's Infrastructure, social integration can go a little bit further if in new locations one can find other organizations and entrepreneurs interested in helping FLB through hybrid model partnership (London & Hart, 2010); this does not involve high strategy definition but a strict control of surrounding business ecosystem. Technology activity has been much referred but all depends on better collaborators' technical qualification. Another technological aspect is the need to increase R&D activity, which could be outsourced mainly to local educational institutions. In the near future Procurement may determine a breakthrough in the evolution of FLB, since the company has many non-core business activities and finding good partners for outsourcing may help overcome some of the present difficulties. An important issue in Procurement is suppliers' assistance on product. As described, this has been a difficult issue, nevertheless it would be better to have them near than in another country, so the creation of a technological cluster, with other competitors - cooperation -, might be a solution for national equipment development and collaborators' training.

On Stream Analyses diagnosis prevails social nature problems, not only in quantity but also in the number of interactions with the rest. Although there are a large number of organizational problems it is relevant that none of them are a core-problem. All identified core-problems result from external causes. To minimize them, following what has been discussed, a preliminary plan is presented showing what one expects the future "to be".

"To be". Implementation plan

Internal problems, with or without external help, can only be solved by internals. Especially at the BoP, creativity is, in these cases, the tool that concatenates resources and desirable solutions. Success at the BoP is not measured only by economic performance but also by social benefits, as stated earlier. So the goal is to go further in these two directions, solving or, at least, trying to minimize the core problems. Besides these fundamental aspects, one should take measures in order to make FLB organizational culture similar to "ideal" organizational culture displayed in Figure 1 and cumulatively make both leadership profiles much similar to the desirable leadership profile. If possible, one will try to minimise some other weaknesses found in value chain and make use of the company's competitive advantages such as good relations with stakeholders, long-term wine production experience and highly adaptable working-structure. During change process some critical success factors like changes in surrounding context, collaborators motivation for training and partners sharing same interests must be regarded at all time, or we may be risking expected results without warning.

These criteria were used to elaborate the following strategy diagram, displayed in Figure 6.

Figure 6: Strategy for FLB social and economic efficiency increase (changing plan).

Identified problems	Actions	Expected results
(S1) Collaborators Low qualification	<ul style="list-style-type: none"> - Collaborators training using <i>stakeholders</i> partnership. - Invite collaborators to participate in company's activities such as road-shows and markets to overcome pictorial thinking and make use of associative thinking. - Improve non-verbal communication and mentor leadership style, when applicable. 	<ul style="list-style-type: none"> - Stimulating working autonomy; - Increase one's responsibility; - Creativity and proactivity increase. - Social rewarding experience.
(T1) Equipment low technical assistance and difficulty obtaining spare parts.	<ul style="list-style-type: none"> - Launch a technological cluster with Local Town Commercial Association support for production of regular spare parts for all producers in the region and, in the future, equipment itself. - Asking for suppliers' training to build local experts teams for equipment technical assistance. 	<ul style="list-style-type: none"> - Establishment of local and national equipment purchasers - Mozambican industry development - Industrial processes know-how increase; - Increase of people self-dignity.
(T2) Some non reliable equipment used in production chain	<ul style="list-style-type: none"> - Build internal capability equipment procurement. - Making collaborators think about the consequences of decisions to company's work and ways to work around in adverse circumstances. - Outsourcing non-core business activities such as accounting and delivery. 	<ul style="list-style-type: none"> - Internal competences development - Increasing ability to solve complex problems. - Creativity and self-initiative improvement. - Core business focusing.

Actions are expected to take place within three to nine months (Porras, 1987). This is ongoing at the moment.

CONCLUSIONS

Nowadays Bottom of Pyramid (BoP) people are not developing economies' appanage. The dream of eradicating the world's poverty is taking value creation approach, as self development, suitable design, real demand, fair distribution and BoP people's dignity (Bhan,2009) were not really fulfilled by international aid (Prahalad, 2006).

Value creation at BoP has been materialized in this work by studying "Fábrica de Licores da Beira" (FLB) in its fundamental aspects. Organizational culture, leadership and activities have been described and the main internal obstacles to its development have been identified. An efficiency improvement plan, at BoP context, is ongoing.

Although FLB's approach may not be adapted to other cases, some common aspects are paramount to BoP organizations: Economical along with social benefits, attention to non-verbal communication or market-adhocracy organization culture are some examples. But creativity can turn other aspects into competitive advantages. How?

Today's BoP innovations show that decent living is not expensive! The mini-pc, no-battery flashlights, microfinance, recycled craft vogue, the portable medical ECG machine, low-cost refrigerator, are all examples of BoP innovations, already adapted in "developed world", which show how affordable and global a good can be. FLB has also part in this story: did you ever drink whisky from a plastic bottle? Mozambicans do it, now.

Study Limitations

Along with the mentioned studied items, a questionnaire was used to assess workers motivation, using Hackmann e Oldham model. The results were not satisfactory since there was much discrepancy within some departments. The main cause for this was misunderstanding of some terms in questionnaire.

Although explored, some external aspects are not dealt in this article, which is more focused on internal affairs.

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